

**BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, DC 20554**

In the Matter of	)	
	)	ET Docket No. 05-24
Requirements for Digital Television	)	
Receiving Capability	)	
	)	

To: The Commission

**COMMENTS OF  
PANASONIC CORPORATION OF NORTH AMERICA**

Panasonic Corporation of North America (“Panasonic”) respectfully submits these comments in support of the proposals in the Commission’s Notice of Proposed Rulemaking (“NPRM”) in the above-captioned proceeding concerning the digital TV tuner mandate.<sup>1</sup> Specifically, Panasonic urges the Commission to accelerate to March 1, 2006, the requirement that all television sets with screen sizes 25 - 36 inches include ATSC tuners, and to eliminate the 50 percent-of-units date for the same sets. Doing so will remove the perverse incentives that the 50 percent requirement has introduced into the marketplace and promote a more rapid and certain transition to digital television (DTV). We agree with the Commission that no change need be considered to the final date of July 1, 2007. To give the market adequate time to meet this new schedule, we urge the Commission’s speediest possible decision in this Notice upon the close of the comment/reply period.

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<sup>1</sup> *Requirements for Digital Television Receiving Capability*, 20 FCC Rcd 3780 (2005) (“NPRM”).

## **INTRODUCTION**

Panasonic Corporation of North America is the principal North American subsidiary of Matsushita Electric Industrial Co. Ltd., a world leader in electronics and wireless telecommunications technology. The company is perhaps best known for its products marketed under the Panasonic brand. Panasonic and its subsidiaries and affiliates manufacture and distribute a wide range of consumer electronics, information technology, and other electronic products at over 90 business locations in North America, including 12 manufacturing facilities, that employ approximately 21,000 people. Among Panasonic's products are multiple lines of television receivers and monitors, including many models of consumer high definition digital television sets (HDTVs) and DVD recorder/players, and scores of digital TV production, post-production, recording, and networking products for the professional market.

### **ELIMINATING THE 50 PERCENT MANDATE IS NECESSARY TO A RAPID MARKETPLACE TRANSITION TO DTV RECEPTION**

The Commission's adoption of two 50 percent requirements for including ATSC tuners in television sets as a way to phase in its DTV tuner mandate was intended to benefit manufacturers. Experience at retail with the first 50 percent requirement, however, demonstrated that the 50 percent requirement inhibited rather than promoted the rapid adoption of TV sets with integrated (*i.e.*, built-in) digital tuners.

On July 1, 2004, the first 50 percent requirement became effective for television sets with screen sizes of 36 inches and larger. The perverse incentives and difficulty with such a requirement soon became apparent. The 50 percent requirement pushed retailers and consumers

to stock and purchase the TV sets WITHOUT an ATSC tuner. The reason is two-fold. First, retailers recognized that the less expensive sets without digital tuners would become scarce and difficult to secure and are desired by consumers because the price is lower than sets with tuners for comparable size and quality. Therefore retailers had a substantial incentive to stock up on the less expensive sets without digital tuners. Similarly, consumers, the majority of whom already receive programming delivered by cable or satellite, believed that they did not require an over-the-air digital tuner and that the less expensive models, therefore, met their needs.

Furthermore, because retailers were not under a mandate regarding what they may sell and are engaged in a highly competitive market, they ordered the sets without tuners because such sets were most in demand. TV manufacturers can jaw-bone and encourage their retail customers as much as possible, but ultimately it is the retailer who decides what to stock. Since retailers have the choice of sourcing from many manufacturers, it is inevitable that they will compete against one another fiercely to acquire the products they believe are in short supply. Therefore, it is natural economic behavior that retailers feel they have no choice but to stock up on the lower-priced sets that are in high demand by consumers.

Anyone who has seen this scenario play out in the marketplace over the past year with regard to sets 36 inches and larger understands that there are finite limits to pushing against economic behavior of consumers in a free marketplace. For this reason, *only* a 100 percent requirement can work without such disruption and avoid a detrimental impact to the DTV transition timetable.

It was not immediately obvious that the 50 percent mandates would slow down the transition by prompting the purchase of monitors and TVs without ATSC tuners, but this appears to be the collective experience of manufacturers and retailers. To avoid the artificial scarcity of

analog-only sets, retailers stocked up on the less expensive non-tuner models and consumers bought the products that they believed best suited their needs and budget. The 50 percent mandate and a highly competitive retail market combined to drive retailer purchasing behavior in the opposite direction desired by government and industry leaders.

Panasonic strongly supports the Nation's rapid transition to digital broadcast television, and has been the first-to-market since 1997 with professional broadcast and production products, and with consumer home equipment to make this possible—the first HDTV television, digital set-top receiver, digital VCR, all-format professional video recorder, all-format DTV converter, and more. Indeed, for this reason, Panasonic does not request any delay to the all-important final date of July 1, 2007, for ending the sale of sets and other TV receiving devices without digital tuners, although such end date alone will not accomplish the Nation's goal of digital broadcasting without an accompanying date certain by which analog broadcasting will terminate.

What we ask the Commission to understand is that the fastest way to achieve the goal of a rapid DTV transition is to accelerate the 100 percent mandate for popular mid-size TVs, to March 1, 2006. The 50 percent mandate for those sets would work against a rapid transition, even as it has in the 36-inch and larger sets, because it will have an unintentional delaying effect when marketplace competition, economic incentives and consumer preferences combine to encourage retailers and consumers to purchase sets without digital tuners. The 50 percent mandate presents a very difficult situation for manufacturers to overcome given that they do not exercise control over retailers or the retail TV market. Therefore, it is especially noteworthy that the major retailers, through their Consumer Electronics Retailers Coalition ("CERC"), joined with the Consumer Electronics Association ("CEA") to address this issue head-on before the

second 50 percent mandate goes into effect.<sup>2</sup>

**ACCELERATING THE 100 PERCENT REQUIREMENT  
TO MARCH 2005, IS BENEFICIAL**

Panasonic supports CEA/CERC's suggestion to accelerate the 100 percent requirement for sets with screen sizes of 25-36 inches, and to delete the 50 percent requirement for these TVs. Since a normal manufacturing cycle is 18 months, Panasonic already is working to speed up its preparations so that it will be in a position to meet this accelerated date. While there are many challenges involved in doing so, including the advanced discussions and planning with retail customers, Panasonic is optimistic it will be ready notwithstanding the short time involved if the Commission adopts this change. Therefore, we urge the Commission's speediest possible decision in this Notice upon the close of the comment/reply period.

A target date any earlier than March 1, 2005 – which is only ten months away and will be eight or fewer months away by the time the Commission reasonably can conclude this proceeding – would not be possible for most manufacturers to meet. An earlier date could even be detrimental to the intended goal of rolling out television sets with DTV over-the-air tuners, because the only options for some manufacturers could be to increase their current line of tuner-less monitors and/or drop certain models altogether for a period. Such a development would *not* encourage the proliferation of sets with DTV tuners. Therefore, not only would an earlier date not be feasible, but we believe that it would materially impair the rules' intended public policy goals.

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<sup>2</sup> See *Petition for Rulemaking* filed with the Commission by the Consumer Electronics Association (“CEA”) and the Consumer Electronics Retailers Coalition (“CERC”) on November 5, 2004.

## **CONCLUSION**

Panasonic has consistently and continues to support moving to an all-digital broadcast environment as rapidly as feasible. We agree with the Commission that it is not advisable to consider delaying the July 1, 2007 date for completing the tuner mandate.

Our experience with the first 50 percent DTV tuner mandate, however, is that it created rather than prevented consumer and retailer confusion, and that if anything it unintentionally slowed the transition.

Therefore, Panasonic supports the CEA and CERC joint request to accelerate the next 100 percent requirement to March 1, 2006 (from July 1, 2006), and to repeal the 50 percent requirement. Doing so will prevent additional disruption in the marketplace and result in more sets with DTV tuners being placed in consumers' homes sooner.

Respectfully submitted,

**PANASONIC CORPORATION OF NORTH AMERICA**



By: \_\_\_\_\_

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